

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 1, 2011
POSITION: Neutral

BILL NUMBER: X1 AB 14
AUTHOR: N. Skinner
RELATED BILLS: SB 679 (Pavley)

BILL SUMMARY: Energy: Energy Upgrade Financing

Existing law authorizes the California Alternative Energy and Advanced Transportation Financing Authority (Authority) to provide financing for facilities using alternative energy sources and technologies. This is known as the Property Assessed Clean Energy program (PACE).

Existing law appropriates \$50 million from the Renewable Resources Trust Fund (RRTF) for the PACE Program. Of the amount appropriated, \$300,000 may be utilized for administrative costs in implementing the PACE program. This one-time appropriation is available for expenditure until January 1, 2015.

This bill, an urgency measure, would expand the authorized use of the existing PACE appropriation and create the Clean Energy Upgrade Program (CEUP). The CEUP would provide financial assistance to financial institutions to finance installation of distributed generation renewable energy resources, electric vehicle charging infrastructure, or energy or water efficiency improvements on residential projects of three units or less or a commercial project costing less than \$25,000.

The bill would increase allowable administrative costs to \$550,000 RRTF, an increase of \$250,000 RRTF.

FISCAL SUMMARY

The bill would increase authorized administrative costs to \$550,000 from \$300,000 RRTF. These increased costs would be assumed within the \$50 million appropriated for the PACE program.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the original version include the following significant amendments that do not alter our position:

- Specifies improvements financed would be for residential projects of three units or less or a commercial project costing less than \$25,000.
- Authorizes the Authority and the Office of Administrative Law to adopt emergency regulations.
- Requires all improvements financed by the program to meet quality assurance standards developed by the Authority in consultation with the California Energy Commission.
- Authorizes the Authority to approve financing for electric vehicle charging infrastructure under specified circumstances.

(Continued)

Analyst/Principal (0621) J. McGuinn	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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COMMENTS

The Department of Finance is neutral on this bill because increased costs would be absorbed within an existing appropriation.

Currently, the PACE program allows local governments to finance energy efficiency improvements for homeowners. Homeowners repay the costs through a special property tax levy. The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) have blocked the program by improperly characterizing the assessments as loans, and telling lenders they would not fund mortgages on properties participating in the program. Under the PACE program, a lien is placed giving local governments priority of repayment if the home goes into foreclosure, thus putting the mortgage financier at risk. The CEUP program would replace the PACE program and operate within the Fannie Mae and Freddy Mac guidelines by not requiring local governments to hold the first lien on homes participating in the CEUP program.

The bill would require applicants to meet specified requirements, such as determining if the recipient is the legal owner of the property, the recipient is current on mortgage and property tax payments, and the recipient is not in default or bankruptcy proceedings.

SB 679 (Pavley) would appropriate the unencumbered balance of the \$50 million appropriated to the CAETFA for the PACE Reserve program to the Energy Conservation Assistant Account program administered by the California Energy Commission for providing low-interest energy efficiency revolving loans to local governments, public schools, and hospitals.

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP							Fund
Type		RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
0971/Energy Fin		SO	No	----- See Fiscal Summary -----						0382
<u>Fund Code</u>	<u>Title</u>									
0382	Renewable Resource Trust Fund									